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RUEHAS/AMEMBASSY ALGIERS PRIORITY 9234
RUEHAM/AMEMBASSY AMMAN PRIORITY 2581
RUEHAK/AMEMBASSY ANKARA PRIORITY 3320
RUEHLB/AMEMBASSY BEIRUT PRIORITY 2552
RUEHEG/AMEMBASSY CAIRO PRIORITY 0516
RUEHDM/AMEMBASSY DAMASCUS PRIORITY 3284
RUEHLO/AMEMBASSY LONDON PRIORITY 0157
RUEHFR/AMEMBASSY PARIS PRIORITY 0622
RUEHRB/AMEMBASSY RABAT PRIORITY 7217
RUEHRO/AMEMBASSY ROME PRIORITY 4639
RUEHRH/AMEMBASSY RIYADH PRIORITY 9552
RUEHTU/AMEMBASSY TUNIS PRIORITY 3716
RUCNDT/USMISSION USUN NEW YORK PRIORITY 5659
RUEHJM/AMCONSUL JERUSALEM PRIORITY 7515
RHMFISS/CDR USCENTCOM MACDILL AFB FL PRIORITY
RHMFISS/COMSOCEUR VAIHINGEN GE PRIORITY
RHMFIUU/COMSIXTHFLT PRIORITY

UNCLAS TEL AVIV 002272

SIPDIS

STATE FOR NEA, NEA/IPA, NEA/PPD

WHITE HOUSE FOR PRESS OFFICE, SIT ROOM
NSC FOR NEA STAFF

SECDEF WASHDC FOR USDP/ASD-PA/ASD-ISA
HQ USAF FOR XXXX
DA WASHDC FOR SASA
JOINT STAFF WASHDC FOR PA
CDR USCENTCOM MACDILL AFB FL FOR POLAD/USIA ADVISOR
COMSOCEUR VAIHINGEN GE FOR PAO/POLAD
COMSIXTHFLT FOR 019

JERUSALEM ALSO ICD
LONDON ALSO FOR HKANONA AND POL
PARIS ALSO FOR POL
ROME FOR MFO

SIPDIS
E.O. 12958: N/A
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SUBJECT: ISRAEL MEDIA REACTION

SUBJECTS COVERED IN THIS REPORT:

Mideast

Key Stories in the Media:

Israel Radio reported that Secretary of State Condoleezza Rice said in interview with Radio Sawa that "The President ... was stating very clearly that Israel's future will rest in Israel, in places

like Galilee and in the Negev, and that the occupation of the West Bank will have to end and a Palestinian state will need to be established."

Ha'aretz reported that three weeks ago Israel authorized the transfer of 1,000 rifles from Jordan to PA security forces in the West Bank.

Maariv published excerpts from an exclusive interview with PA President Mahmoud Abbas (the full interview will be published on Friday). Abbas said that President Bush promised him that a permanent agreement will be reached within a year. Abbas was also quoted as saying that he may not run for re-election and voiced support for Marwan Barghouti should he decide to run.

Ha'aretz cited a senior government source as saying that talks between Israel and Saudi Arabia have been taking place through a third party for some time and that a meeting with the Saudis may happen soon.

Leading media reported that Jordanian Foreign Minister Abdul Ilah Khatib and Egyptian Foreign Minister Aboul Gheit said in a meeting with PM Olmert that they hope to bring along other foreign ministers the next time they visit.

Israel Radio reported that Israel and the Palestinian Authority announced Wednesday that they are ready once again to renew coordination of civil administration functions. The media noted that the swearing-in of Palestinian Prime Minister Salam Fayad's government gave a green light to the resumption of cooperation on both the civil and the security level.

Yediot quoted Hamas senior member, Dr. Ahmed Yosef, as saying to the Palestinian news agency "Ma'an" that Hamas will eventually take over the West Bank.

Israel Radio reported that a Hamas militant was killed Thursday morning by an Israeli Air Force strike east of Khan Yunis in the Gaza Strip.

All media reported that the general strike that began Wednesday morning ended when an agreement was reached Wednesday night.

All media reported on violent confrontations between the police and right-wing activists who attempted to establish an illegal outpost in Gush Etzion. Thirty activists were arrested and a few were injured.

All media reported that the High Court of Justice met on Wednesday to discuss the plea agreement for former President Moshe Katzav. The court ordered the Attorney General to explain why the court should not annul plea bargain.

Maariv printed the following results of a TNS/Teleseker Polling Institute survey: 59 percent of the public believe that the unilateral disengagement from Gaza was a mistake; 29 percent believe it was the right decision; 12 were undecided. According to the poll 74 percent are against evacuating settlements from the West Bank unilaterally, while 18 percent are in favor.

Mideast:

Summary:

Diplomatic correspondent Aluf Benn wrote in the independent, left-leaning Ha'aretz: "It is dawning on the people around the prime minister that there is no substitute for an Israeli diplomatic initiative that will extricate Olmert from his public opinion troubles and make a mark in the history of the state.... External events today also tend toward diplomacy."

The nationalist Makor Rishon-Hatzofe editorialized: "There is almost no doubt that the diplomatic buzz that started with the arrival of Tony Blair marks the beginning of Ehud Olmert's survival battle.... The danger is that out of every buzz something practical may

emerge."

Block Quotes:

I. "Solving a Few Problems At Once"

Diplomatic correspondent Aluf Benn wrote in the independent, left-leaning Ha'aretz (07/26): "Prime Minister Ehud Olmert has a problem. He is finding it difficult to persuade the Israeli public and international community that his government seriously intends to reach a settlement with the Palestinians and is willing to pay the price of withdrawing from territory and evacuating the settlements.... It is dawning on the people around the prime minister that there is no substitute for an Israeli diplomatic initiative that will extricate Olmert from his public opinion troubles and make a mark in the history of the state.... External events today also tend toward diplomacy. After a year and a half of a diplomatic standstill with the government of Palestinian Authority Chairman Mahmoud Abbas, there is once again someone to talk to in the PA.... U.S. President George W. Bush, Quartet envoy Tony Blair, Egypt and Jordan are willing to extend a hand from the outside, each for their own reasons. Olmert's proposal of an Agreement of Principles regarding a Palestinian state solves a number of his problems. First, he is taking the initiative.... Second, the initiative underscores the message that Israel wants an agreement and is not seeking excuses to stay in the territories. Third, it responds to the international demand to provide a 'diplomatic horizon' for Palestinian moderates. Fourth, Olmert wants to give up territory, even unilaterally. If he signs Abbas onto the deal, he will achieve something for the merchandise he was ready to give away for free. Fifth, the deal he is proposing focuses on changing reality in the West Bank and Gaza, and sets aside the refugee problem ... Sixth, the formulation of the details and the implementation of the agreement, which involve significant difficulties for both sides, will wait for the approval of the Agreement of Principles in Palestinian elections and a Knesset vote.... Seventh, the prime minister's expected political and personal advantage should not be ignored.... If he radiates credibility, he may even improve in the polls, and his declared intention to run for another term against party leaders Benjamin Netanyahu and Ehud Barak will seem serious and possible."

II. "Buzz"

The nationalist Makor Rishon-Hatzofe editorialized (07/26): "There is almost no doubt that the diplomatic buzz that started with the

arrival of Tony Blair marks the beginning of Ehud Olmert's survival battle.... The danger is that out of every buzz something practical may emerge. Israel's actions in the strategic, diplomatic reality are happening in three circles: one, against Iran and its nuclearization; second, the attempt to reach a diplomatic solution with the Palestinians and third, the practical dimension of the war on terror and achieving deterrence against it.... In the Palestinian circle, all experts -- even the most moderate ones -- believe that there is no chance of achieving a meaningful agreement with the Palestinians."

CRETZ